

## Message Text

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70

ACTION EB-03

INFO OCT-01 SS-14 ISO-00 ARA-10 L-02 AGR-03 COME-00 NSC-10

NSCE-00 CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /055 W

----- 065164

R 112200Z SEP 73

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 5236

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 3472

LIMDIS

E.O. 11652: GDS

TAGS: PFOR ETRD ECON HO

SUBJECT: CUBAN SUGAR TRANSACTION

1. DIRECTOR LAZAR PAID COURTESY CALL SEPT 10 ON FONMIN BATRES, HAVING BEEN INVITED TO DO SO DURING BATRES' RECENT TRIP TO WASHINGTON. LAZAR INITIATED CONVERSATION BY STATING HE WAS RESPONDING TO INVITATION AND MERELY WISHED TO PAY HIS RESPECTS, HAVING NO BUSINESS OF SUBSTANCE TO TRANSACT.

2. INITIAL CONVERSATION DEALT WITH FORTHCOMING HONDURAS/ EL SALVADOR TALKS IN MEXICO. BATRES APPEARED FAIRLY OPTIMISTIC, STATING THAT BORDER DEFINITION WOULD BE THE DIFFICULT ISSUE. LAZAR ASKED WHETHER HONDURAS SOUGHT FIRM AGREEMENT ON BORDER DEFINITION AT TREATY TALKS OR ONLY AGREEMENT ON FIRM MECHANISM FOR SOLVING BORDER PROBLEM. BATRES RESPONDED GOH MIGHT BE WILLING TO LEAVE SOME OF DISPUTED AREAS FOR LATER DEFINITION. HE MENTIONED SPECIFICALLY CERTAIN ISLANDS IN GULF OF FONSECA.

3. BATRES THEN RAISED SUGAR ISSUE, SAYING HE HOPED  
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THERE WOULD BE NO FURTHER REPERCUSSIONS AND ADDING

THAT INTERNALLY THERE HAD BEEN ONLY A MINIMUM OF TROUBLE. LAZAR STATED HE HAD NOT COME TO DISCUSS SUGAR ISSUE, THAT THIS WAS BUSINESS OF AMBASSADOR. BATRES PERSISTED, HOWEVER, FOR REASON THAT BECAME CLEAR LATER. LAZAR EXPRESSED PERSONAL VIEW THAT ALTHOUGH HE ALSO HOPED THERE WOULD BE NO FURTHER REPERCUSSION HE WAS NOT AT ALL OPTIMISTIC THIS WOULD BE THE FACT. LAZAR STATED THAT WHILE HE BELIEVED BATRES' ASSURANCE THAT THIS WAS ONE-TIME COMMERCIAL TRANSACTION WITHOUT POLITICAL INTENT, THERE MIGHT WELL BE POLITICAL CONSEQUENCES UNDESIED BY GOH. LAZAR CONTINUED THAT EVEN GIVEN NEGATIVE VOTE BY GOH ON VENEZUELAN INITIATIVE, SHOULD IT ARISE IN OAS, GOH HAD IN EFFECT JOINED THOSE WHO HAD CHOSEN TO IGNORE SANCTIONS. LAZAR NOTED THAT THIS WOULD BE NOTICED IN THE US AND MIGHT WELL CREATE PROBLEMS IN FUTURE BETWEEN TWO GOVERNMENTS IN WAYS DIFFICULT TO CONTROL. LAZAR SPECIFICALLY MENTIONED SUGAR QUOTA AS ONE SUCH AREA.

4. BATRES REPEATED LINE HE AND GOH HAD TAKEN PREVIOUSLY, AND RECEIVED ANSWERS WE HAD GIVEN PREVIOUSLY. THEN BATRES MENTIONED CONVERSATION LAST WEEK BETWEEN AMBASSADOR AND MINFIN ACOSTA BONILLA IN WHICH, BATRES STATED, AMBASSADOR HAD ASKED ACOSTA IF LATTER WAS SURE HE KNEW ALL OF THE DETAILS OF THE TRANSACTION. BATRES THEN ASKED LAZAR WHAT DETAILS THE AMBASSADOR HAD REFERRED TO AND WHETHER THERE WAS ANYTHING HIDDEN IN THE TRANSACTION.

5. LAZAR REPLIED HE DID NOT KNOW WHAT THE AMBASSADOR MIGHT HAVE BEEN REFERRING TO AND THEN ASKED BATRES WHETHER AMBASSADOR MIGHT NOT HAVE SAID QUOTE CONSEQUENCES UNQUOTE RATHER THAN QUOTE DETAILS UNQUOTE. BATRES SAID ACOSTA HAD SAID DETAILS AND INDICATED HE WANTED TO TALK TO THE AMBASSADOR TO FIND OUT IF HE THOUGHT THERE WAS ANYTHING HIDDEN.

6. CONVERSATION ENDED CORDIALLY.

7. IN FACT, IN THE CONVERSATION WITH ACOSTA THAT BATRES REFERRED TO, I DID USE THE WORD CONSEQUENCES AND NOT CONFIDENTIAL

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DETAILS. HOWEVER, BATRES APPROACHED ME AT THE RESIDENCE THE EVENING OF SEPT 10 AND ASKED TO SEE ME ON WEDNESDAY BEFORE HE LEAVES FOR MEXICO. IF, AS SEEMS LIKELY, HE WISHES TO DISCUSS FURTHER MY CONVERSATION WITH ACOSTA, HE IS CLEARLY CONCERNED ABOUT WHAT I MIGHT KNOW ABOUT THE SUGAR DEAL. IN THAT EVENT I INTEND TO KEEP HIM WORRYING.  
SANCHEZ

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